

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Philip Angelides, Chairman
CA State Treasurer

Bond Financing Program Application

TAX-EXEMPT FINANCING FOR
PUBLIC AND PRIVATE, NON-PROFIT
HEALTH FACILITIES

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CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

BOND FINANCING PROGRAM APPLICATION

THE AUTHORITY

The California Health Facilities Financing Authority (the Authority) is a state agency created to assist non-profit health facilities obtain tax-exempt financing for capital improvement projects and other needs. Financings are normally accomplished through the issuance of tax-exempt bonds, sold by the Authority, for individual borrowers or for groups of borrowers. The Authority is authorized to issue bonds statewide with no affect on the bonding capacity of any particular city, county or political subdivision.

The Authority's enabling legislation allows it to finance a number of types of healthcare projects. For example, funds may be used to construct or remodel facilities and finance the interest expense (capitalized interest) over the construction/renovation period. Funds may also be used to refinance debt, acquire a new facility, buy equipment or, in certain instances, to finance working capital.

ELIGIBILITY FOR CHFFA FINANCING

Eligible applicants include private nonprofit corporations or associations authorized by the laws of California to operate a health facility. Cities, counties, and district hospitals also qualify for financing.

Eligible types of health facilities include, among others, general acute care hospitals, community clinics, skilled nursing facilities and adult day health centers. A listing of the types of eligible health facilities is shown at Exhibit D. The Authority's Bond Issuance Guidelines are attached as Exhibit F. For further information on eligibility and certain financing programs, please contact the Authority. Phone and address information are on the cover of the application.

SUBMITTING THE APPLICATION:

In order to consider requests for financing, the Authority requires certain information related to the financial and operational condition of applicants. This application is designed to obtain this information. Please provide all of the requested responses and documentation to prevent unnecessary delays in processing your financing requests. Authority staff will be pleased to assist you with any questions you may have about the application or review process.

To have your application considered for financing for a particular month, **by the first business day** of the month of the scheduled meeting*, submit:

- two copies of the application to the Authority; and
- one copy of the application to:
PricewaterhouseCoopers LLP, Audits Department
555 Capitol Mall, Suite 1200
Sacramento, CA 95814
Attn: Robert Kittredge

* *Please contact the Authority for a current schedule of meeting date, or visit our website at www.treasurer.ca.gov/chffa/chffa.htm.*

All Applicants must forward a \$500 non-refundable application fee to the Authority with the application.

PREPARING THE APPLICATION:

1. Please use a tab system and present the material in the sequence indicated utilizing this application's tab system as the index;
2. Please use three ring binders, not acco type binders; and
3. Complete all application items. If an item does not apply, type “not applicable” and state why.

ADDITIONAL FEES:

Please see Exhibit E for a complete listing of Authority fees.

For unsuccessful financings, there may be a charge for estimated costs, as determined by the Executive Director and reported to the Authority, subject to appeal by the Applicant.

Other costs of issuance for bond issues, including fees of Bond Counsel, Underwriters, Financial Advisors, Trustees etc., are charges against the Applicant payable at closing and are separate from Authority fees. Please contact the Authority for more information regarding use of these professional firms in bond transactions and financing limitations on fees.

DEFINITIONS OF TERMS USED IN THIS APPLICATION:

Applicant	The corporation responsible for repaying the proposed debt. The Obligated Group, if financing is part of a master indenture.
Authority	California Health Facilities Financing Authority
Health Facility	Any one or more of the health facilities defined in section 15432(D) of the California Government Code. This section is shown at Exhibit D.
Obligated Group	Group of corporations that are legally obligated to repay the proposed debt.
Project	The project(s) identified at Section III, Tab 4.B. of this application.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

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CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

BOND FINANCING PROGRAM APPLICATION

I. CONTACT INFORMATION:

TAB 1.

- A. Provide the following information about the Applicant:
 - 1. Legal name
 - 2. Complete address, including county
 - 3. Principal contact and title
 - 4. Chief Executive Officer & Chief Financial Officer and resumes
 - 5. Telephone number and Telecopy number
- B. Provide the following information for each health facility with projects being financed (if different from the Applicant):
 - 1. Legal name
 - 2. Complete address, including county
 - 3. Principal contact, Title, Telephone number and Telecopy number
 - 4. Whether part of Obligated Group

II. BACKGROUND: Provide a copy of "Appendix A" prepared for the proposed bond issue's official statement, if available. If Appendix A is not available, provide the information requested in either TAB 2. or TAB 3., as applicable.

TAB 2. If Applicant is a stand-alone health facility:

- A. A description of the facility, including a brief statement of the facility's philosophy and goals, types of services, service area characteristics, number of physicians and employees. (In addition, please include a brochure if available).
- B. A map clearly marked to show the location of the **health facility and of other** competing health facilities in the service area.

TAB 3. If Applicant is a multi-health facility system provide the following:

- A. Brief background on the formation, mission and goals of the system.
- B. A chart identifying the applicable corporations below:
 - 1. Parent and/or holding company
 - 2. Foundations
 - 3. For-profit subsidiaries / affiliates
 - 4. Not-for-profit subsidiaries / affiliates

Include with the chart, a brief narrative of the purpose of each corporation and a brief discussion on any significant legal, governance or financial relationships among the affiliated corporations.

- C. A listing of anticipated members of the Obligated Group.

III. PROJECT INFORMATION:

TAB 4.

- A. Estimated sources of funds: Provide a breakdown of the following applicable sources of funds. Discuss whether equity or other funds will be targeted for any particular use.

Bond funds \$ _____
Equity funds _____
Other funds (itemize) _____
Total sources of funds: \$ _____

- B. Estimated uses of funds: Briefly describe the general purpose of this financing (e.g. - refunding to lower interest costs, construction to satisfy demand for certain services, etc.) and identify the following applicable uses of funds.

Real Estate (Land) purchase \$ _____
 Describe the property (location and size) and its intended use.
 Provide a copy of the purchase agreement and a current appraisal.

Construction or renovation \$ _____
 Provide schedule for construction. Describe the project(s) and discuss any change in the bed complement resulting from your project. Answer the following project readiness questions:

- | | Yes | No |
|---|-------|-------|
| 1. Have all required permits and approvals been obtained - if no, status? | _____ | _____ |
| 2. Has a construction/renovation contract been signed - if no, status? | _____ | _____ |
| If yes, what is the guaranteed maximum price? \$ _____ | | |

Equipment Purchase \$ _____
 Provide a general description of the items to be purchased.

Health facility acquisition or merger \$ _____

- 1.) Provide audited statements for the last three years and year-to-date interim financial statements of the facility to be acquired or merged.
 2.) Describe the facility to be acquired or merged, including the location, bed complement and assets. 3.) Describe the purpose of the acquisition or merger and answer the following questions:

- | | Yes | No |
|---|-------|-------|
| 1. Is the acquisition/merger contract complete? If not, status? | _____ | _____ |
| 2. Has an appraisal been completed? If not, explain. | _____ | _____ |

Reimbursement \$ _____
 Provide a general description of the items to be reimbursed.
 (Federal tax law imposes certain requirements for reimbursement. Check with your bond counsel before expending any funds to be reimbursed.)

Working capital \$ _____

There are limiting conditions for financing working capital.
Please confer with your proposed bond counsel to determine any limitations.

Refunding \$ _____

For proposed new debt provide:

1. Type of refunding (advance, current or cross-over) and detail of anticipated costs (i.e. breakout of escrow costs and any prepayment costs of refunding old debt); and
2. A cost savings analysis. Show:
 - debt service savings by year;
 - total savings;
 - present value (PV) of total savings; &
 - the ratio of PV savings to the par amount of the new debt.
3. If no cost savings, state the reason for the refinancing.

For debt to be refunded provide:

1. Name of the issuer;
2. Name, year and series of the bonds;
3. Amount of bond issue /loan;
4. Amount currently outstanding;
5. Interest rate (index if variable rate);
6. Maturity date;
7. Brief description of the purpose of the original debt; and
8. State whether original project complete.

Estimated other uses (total): \$ _____

Provide the following applicable costs:

- | | |
|------------------------------|----------|
| 1. Debt service reserve | \$ _____ |
| 2. Other reserves (describe) | \$ _____ |
| 3. Capitalized interest | \$ _____ |
| 4. Working Capital | \$ _____ |
| 5. Insurance/Bank fee | \$ _____ |
| 6. Counsel fees | \$ _____ |
| 7. Financial advisor | \$ _____ |
| 8. UW Discount | \$ _____ |
| 9. Other (List) | \$ _____ |

Total uses of funds (must equal "Total sources of funds") \$ _____

C. Additional Project Information: Provide the following information about the project:

1. List the city, county, and precise street address of all facilities receiving financing.
2. For renovation or construction projects, list the name of the construction company or developer (if one is already chosen) completing the work.
3. List the name of any other lender or credit enhancer.

4. For property acquisition, list the name of the seller of the property.
5. For refinancing projects, list the name of the financial institution(s) holding the loans to be refinanced.

IV. UTILIZATION STATISTICS:

TAB 5. If Appendix A of the Official Statement (with complete health facility statistical information) was provided in Tab 2, then complete section 'C' of Tab 5.

However, if this information was not provided, please complete the following statistical information tables, modifying the requested information as necessary to conform with the way your health facility reports this data, or to conform with your health facility's operations.

In the format below, compile operating statistics for:

- A. Each health facility being financed; and
- B. Combined statistics for all health facilities included in the Applicant's financial statements submitted with this application.

NOTE: The inpatient statistics below reflect data collected by acute hospitals. If Applicant is not an acute hospital, provide relevant inpatient statistics that reflect your type of operations. Include information for each health facility receiving financing, and for the Obligated Group, if the Applicant is a multi-health facility system.

<p>INPATIENT DATA*:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: center;">Fiscal Year <u>Period</u></td> </tr> <tr> <td colspan="2"><u>Acute Beds:</u></td> </tr> <tr> <td>Licensed (In Service) Beds</td> <td style="text-align: center;">XXX (XXX)</td> </tr> <tr> <td>Occupancy, beds in service (%)</td> <td style="text-align: center;">XX.XX</td> </tr> <tr> <td>Avg. length of stay, (days)</td> <td style="text-align: center;">XX.XX</td> </tr> <tr> <td>Admissions</td> <td style="text-align: center;">X,XXX</td> </tr> <tr> <td colspan="2"><u>Skilled Nursing Beds (if applicable)</u></td> </tr> <tr> <td>Licensed (In Service) Beds</td> <td style="text-align: center;">XXX (XXX)</td> </tr> <tr> <td>Occupancy, Beds in Service (%)</td> <td style="text-align: center;">XX.XX%</td> </tr> <tr> <td colspan="2">OUTPATIENT DATA* (# of visits):</td> </tr> <tr> <td>Emergency Visits</td> <td style="text-align: center;">XXX</td> </tr> <tr> <td>Outpatient Visits</td> <td style="text-align: center;">XXX</td> </tr> <tr> <td>Outpatient Surgery Visits</td> <td style="text-align: center;">XXX</td> </tr> <tr> <td>Other Outpatient Services (describe)</td> <td style="text-align: center;">XXX</td> </tr> </table>		Fiscal Year <u>Period</u>	<u>Acute Beds:</u>		Licensed (In Service) Beds	XXX (XXX)	Occupancy, beds in service (%)	XX.XX	Avg. length of stay, (days)	XX.XX	Admissions	X,XXX	<u>Skilled Nursing Beds (if applicable)</u>		Licensed (In Service) Beds	XXX (XXX)	Occupancy, Beds in Service (%)	XX.XX%	OUTPATIENT DATA* (# of visits):		Emergency Visits	XXX	Outpatient Visits	XXX	Outpatient Surgery Visits	XXX	Other Outpatient Services (describe)	XXX	<p>REVENUE FROM OPERATIONS (%):</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: center;">Curr Fiscal <u>Year</u></td> <td style="text-align: center;">Prior Fiscal <u>Year 1</u></td> <td style="text-align: center;">Prior Fiscal <u>Year 2</u></td> </tr> <tr> <td><u>Inpatient Revenue:</u></td> <td style="text-align: center;">X%</td> <td style="text-align: center;">X%</td> <td style="text-align: center;">X%</td> </tr> <tr> <td colspan="4"><u>Outpatient Revenue**:</u></td> </tr> <tr> <td>Emergency Visits</td> <td style="text-align: center;">XX%</td> <td style="text-align: center;">XX%</td> <td style="text-align: center;">XX%</td> </tr> <tr> <td>Outpatient Visits</td> <td style="text-align: center;">XX%</td> <td style="text-align: center;">XX%</td> <td style="text-align: center;">XX%</td> </tr> <tr> <td>Outpatient Surgery Visits</td> <td style="text-align: center;">XX%</td> <td style="text-align: center;">XX%</td> <td style="text-align: center;">XX%</td> </tr> <tr> <td>Other Outpatient Services</td> <td style="text-align: center;"><u>X%</u></td> <td style="text-align: center;"><u>X%</u></td> <td style="text-align: center;"><u>X%</u></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>100%</u></td> <td style="text-align: center;"><u>100%</u></td> <td style="text-align: center;"><u>100%</u></td> </tr> </table> <p>** List statistics for major outpatient revenue sources, Combine lessor sources under "Other services".</p>		Curr Fiscal <u>Year</u>	Prior Fiscal <u>Year 1</u>	Prior Fiscal <u>Year 2</u>	<u>Inpatient Revenue:</u>	X%	X%	X%	<u>Outpatient Revenue**:</u>				Emergency Visits	XX%	XX%	XX%	Outpatient Visits	XX%	XX%	XX%	Outpatient Surgery Visits	XX%	XX%	XX%	Other Outpatient Services	<u>X%</u>	<u>X%</u>	<u>X%</u>		<u>100%</u>	<u>100%</u>	<u>100%</u>
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* NOTE ON INPATIENT AND OUTPATIENT DATA:
Provide inpatient and outpatient data in the above left box for the three most recent fiscal years, and for the period as of the interim financial statements submitted with this application. As noted above, if applicant is not an acute hospital, use other relevant inpatient statistics.

- C. Briefly discuss any substantive year-to-year changes shown in the statistical information provided with this application.

V. BOND ISSUE STRUCTURE / FINANCING TEAM:

TAB 6. Describe the proposed structure of the bond issue as follows:

- A. Interest rate: fixed, variable or derivative (index if variable).
- B. Term: initial and final maturity.
- C. Type of credit enhancement, if applicable.
- D. Type of offering: public, private placement or limited public offering.
- E. Financing team (include names, title, phone and fax):
 - Senior underwriter;
 - Suggested co-managing underwriter(s);
 - Bond counsel;
 - Underwriter's counsel;
 - Disclosure counsel, and
 - Arbitrage rebate calculation firm.
- F. Rating agency(s) for financing and expected credit rating(s) for this financing.
- G. Identify the most recent credit rating of the Applicant and the Guarantor, if applicable, and the name of the rating agency(s).
- H. Estimated costs of issuance.
- I. Estimated underwriter's spread, including a breakdown of estimated expenses.

VI. FINANCING CALENDAR:

TAB 7. Provide the proposed calendar for the financing, including the proposed date(s) for the following (explain if more than one date is listed for any item):

- A. Authority resolution approval date.
- B. Sale date.
- C. Closing date.
- D. Commencement of construction projects and estimated completion date, if applicable.

VII. FINANCIAL INFORMATION:

TAB 8.

- A. Briefly discuss any substantive year-to-year changes or trends in the Applicant's revenues and expenditures and assets and liabilities for the prior three years. Provide for only the Obligated Group, if financing is part of a master indenture. Also, briefly discuss management's financial outlook for the health facility (or Obligated Group) over the next three years.
- B. Provide copies of the Applicant's consolidated audited financial statements for the three most recent fiscal years and the most recent consolidated year-to-date interim financial statements. Provide for only the Obligated Group, if financing is part of a master indenture.
- C. Briefly discuss the potential affects to your operations of federal and state proposals for managed care. Further discuss your past progress and future plans to respond to the proposals.

TAB 9. Has a feasibility study been developed for this financing? If so, provide a copy.

TAB 10. Contracts and Licenses:

- A. Provide a general discussion of your health facility's (or health system's) contracting with Medi-Cal, Medicare and significant private payers.
- B. Provide the following contractual information for each health facility being financed:
 1. Medicare contract expiration date _____
Medi-Cal contract expiration date _____
 2. Describe services provided for Medicare and Medi-Cal.
 3. If the health facility does not have a Medi-Cal contract, provide an explanation (e.g. currently in negotiation, non-contracting area, etc.). If the contract has expired, provide a brief statement on the status of negotiations to renew the contract.
- C. List the type(s) of licensure of the health facility(s) to receive financing.

TAB 11. Patient Revenue:

For each health facility receiving financing and the Obligated Group, if financing part of a master indenture, indicate the following revenue information for the prior fiscal year and the fiscal year-to-date.

	PERCENT OF REVENUE	
	Fiscal Year-To-Date	Prior Fiscal Year
<u>Revenue Source</u>		
Medicare	XX%	XX%
Medi-Cal	XX%	XX%
Commercial Insurance	XX%	XX%
Private Pay	XX%	XX%
Other	XX%	XX%
	100%	100%

VIII. ADDITIONAL INFORMATION:

TAB 12. Passing on Savings:

Section 15438.5 of the California Government Code requires savings resulting from the proposed tax-exempt bond financing be transferred to the public via lower costs for delivery of health services. Describe how you intend to pass on these savings.

TAB 13. Community Service Certification:

Section 15459 of the California Government Code (the “Authority’s Act”) requires the Applicant to certify that the services of **each** health facility receiving financing will be made available to all persons residing or employed in the respective service areas. To document compliance with this section, each applicant must do the following:

1. Execute the attached community service certification (Exhibit A) prior to the note closing. By executing the document, the Applicant agrees to the conditions enumerated therein.
2. Submit **with the application** a completed physicians list required by Section 15459.1(b) of the Authority’s Act. The physicians list should include all data elements stated in Exhibit A, item number 2(b) of this application.
3. Attached with the physicians list, the Applicant must also submit a certificate of verification similar in form to the sample at Exhibit B.

TAB 14. Additional Community Service:

Given the increasing pressure on health facilities to provide greater services in their communities, the Applicant may submit a summary of additional community service provided by the facilities to be financed. It is not mandatory to include this information, but is intended to provide an opportunity for the Applicant to inform the Authority of community service additional to that required by law, above. In this discussion, please give examples of the types of services provided and their relative costs as a percentage of total revenue.

TAB 15. Competing Service Area Health Facilities:

Describe briefly your health facility’s (or health system’s) competitive position, specifying among other things, your market share in your primary markets. Further note any material services provided principally or exclusively by your institution as opposed to competitors. Note any other distinguishing features of your institution.

TAB 16. Seismic Upgrades (For Acute Care Hospitals Only):

Office of Statewide Health Planning and Development (OSHPD) regulations require that all general acute care hospital owners perform seismic evaluations on each hospital building and submit the results for review by January 1, 2001. The regulations subsequently require facilities to be in compliance with performance levels by January 1, 2008 or January 1, 2030 depending on building type.

1. Describe your organization’s progress toward complying with OSHPD seismic evaluation regulations.
2. Provide any available cost estimates (preliminary or final) for completing seismic upgrades, if available.
3. Discuss any proposed or finalized financing options for any identified seismic upgrades.

TAB 17. Legal Status Questionnaire:

For purposes of the following questions, the term “applicant” shall include the applicant and the project sponsor, the parent of the applicant and the project sponsor, and any subsidiary of the applicant or project sponsor if the subsidiary is involved in (for example, as a guarantor) or will be benefited by the application or the project. Public entity applicants without fiscal responsibility for the proposed project, including but not limited to, cities, counties, and joint powers authorities with 100 or more members, are not required to respond to this questionnaire.

In addition to each of these entities themselves, the term “applicant” shall also include the direct and indirect holders of more than ten percent (10%) of the ownership interests in the entity, as well as the officers, principals and senior executives of the entity if the entity is a corporation, the members of the board of directors of a for-profit corporation, the general and limited partners of the entity if the entity is a partnership, and the members or managers of the entity if the entity is a limited liability company.–

Note: Members of the boards of directors of non-profit corporations, including officers of the boards are not required to respond to the questionnaire. However, Executive Directors, Chief Executive Officers, Presidents, or their equivalent and the Chief Financial Officers, the Treasurers, or their equivalent must respond. Additionally, the individual who will be executing the bond purchase agreement, if different from any of the above, must also respond.

Use Exhibit C to explain any “Yes” answers to the following questions:

Civil Matters

1. Has the applicant filed a bankruptcy or receivership case or had a bankruptcy or receivership action commenced against it, defaulted on a loan, or been foreclosed against in the ***past ten years***? If so, please explain.
2. Is the applicant ***currently*** a party to, or been notified that it may become a party to, any civil litigation that may materially and adversely affect (a) the financial condition of the applicant’s business, or (b) the project that is the subject of the application? If so, please explain.
3. Have there been any administrative or civil settlements, decisions, or judgments against the applicant within the ***past ten years*** that materially and adversely affected (a) the financial condition of the applicant’s business, or (b) the project that is the subject of the application? If so, please explain and state the amount.
4. Is the applicant ***currently*** subject to, or been notified that it may become subject to, any civil or administrative proceeding, examination, or investigation by a local, state or federal licensing or accreditation agency, a local, state or federal taxing authority, or a local, state or federal regulatory or enforcement agency?

Civil Matters (Cont'd)

5. In the *past ten years*, has the applicant been subject to any civil or administrative proceeding, examination, or investigation by a local, state or federal licensing or accreditation agency, a local, state or federal taxing authority, or a local, state or federal regulatory or enforcement agency that resulted in a settlement, decision, or judgment? If yes to either question numbers 4 or 5, please explain.

Criminal Matters

6. Is the applicant *currently* a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in, *felony charges* against the applicant? If so, please explain.
7. Is the applicant *currently* a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in, *misdemeanor charges* against the applicant for matters *relating to the conduct of the applicant's business*? If so, please explain.
8. Is the applicant *currently* a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in, criminal charges (whether felony or misdemeanor) against the applicant for any *financial or fraud related crime*? If so, please explain.
9. Is the applicant *currently* a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, that could *materially affect the financial condition of the applicant's business*? If so, please explain.
10. Within the *past ten years*, has the applicant been convicted of any *felony*? If so, please explain.
11. Within the *past ten years*, has the applicant been convicted of any *misdemeanor related to the conduct of the applicant's business*? If so, please explain.
12. Within the *past ten years*, has the applicant been convicted of any *misdemeanor for any financial or fraud related crime*? If so, please explain.

TAB 18. Application Certification:

Please transfer the following certification language onto your institution’s letterhead and have the appropriate official sign and date the certification.

Application Certification:

I, (name of signatory), as (name of position), an authorized officer of (name of institution), certify that, to the best of my knowledge, the information contained in this application is true and accurate.

_____	_____
By (Print Name)	Signature
_____	_____
Title	Date

EXHIBIT A

**CERTIFICATION AND AGREEMENT REGARDING
COMMUNITY SERVICE OBLIGATION**

PARTICIPATING HEALTH INSTITUTION (“Borrower”):

NAMES OF FINANCED FACILITIES:

MEDI-CAL CONTRACT(S): / / YES / / NO

IF NO, EXPLAIN:

Bond Issue Description: *[Please request name of issue from Bond Counsel]*

1. **General Assurance:** Pursuant to Section 15459 of the California Government Code, the Borrower hereby certifies that the services of the Facility will be made available to all persons residing or employed in the area served by the facility.

2. **Compliance Requirements:** As part of its assurance under Section 15459 of the California Government Code, the Borrower agrees to the following conditions:
 - (a) To advise each person seeking services at the Facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third party payers.

 - (b) To make available to the California Health Facilities Financing Authority and to any interested person a list of physicians with staff privileges at the Facility, which includes all of the following:
 - (1) Name
 - (2) Specialty
 - (3) Language Spoken
 - (4) Whether the physician takes Medi-Cal and Medicare patients.
 - (5) Business Address and phone number.

 - (c) To inform in writing on a periodic basis all practitioners of the healing arts having staff privileges in the Facility as to the existence of the Borrower's community service obligation. Such notice to practitioners shall contain a statement, as follows:

EXHIBIT A (continued)

“This Facility has agreed to provide a community service and to accept Medi-Cal and Medicare patients. The administration and enforcement of this agreement is the responsibility of the California Health Facilities Financing Authority and this Facility.”

- (d) To post notices in the following form, which shall be multilingual where the borrower serves a multilingual community, in appropriate areas within the facility, including but not limited to, admissions offices, emergency rooms, and business offices:

“NOTICE OF COMMUNITY SERVICE OBLIGATION

This facility has agreed to make its services available to all persons residing or employed in this area. This facility is prohibited by law from discriminating against Medi-Cal and Medicare patients. Should you believe you may be eligible for Medi-Cal or Medicare, you should contact our business office (or designated person or office) if you are in need of a physician to provide you with services at this facility. If you believe that you have been refused services at this facility in violation of the community service requirement you should inform [designated person or office] and the California Health Facilities Financing Authority.”

- (e) To provide copies of the notice specified in paragraph (d) for posting to all welfare offices in the county where the Facility is located.

3. Medi-Cal Exceptions:

All references to Medi-Cal shall be deemed deleted from section 2 above if and to the extent any of the following conditions exist:

- (a) The Facility is of a type and in a geographic area subject to Medi-Cal contracting and, following good faith negotiations, the Borrower has not been awarded a Medi-Cal contract by the California Medi-Cal Assistance Commission;
- (b) The Facility is not of a type which provides services for which Medi-Cal payments are available; or
- (c) The Facility is, or is a part of, a multi-level facility and the health facility component of the Facility is of a size and type designed primarily to serve the health care needs of the residents of the multi-level facility.

Notwithstanding the foregoing, nothing in this Section 3 shall relieve the Borrower of its obligations, if any, under Section 1317 of the California Health and Safety code (relating to the provision of emergency service).

EXHIBIT A (continued)

4. Compliance Reports:

The Borrower agrees to make available to the Authority and to the public upon request an annual report substantiating compliance with the requirements of Section 15459 of the California Government Code. The annual report shall set forth sufficient information and verification therefor to indicate the Borrower's compliance. The report shall include at least the following:

- (a) By category for inpatient admissions, emergency admissions, and where the facility has a separate identifiable outpatient service, outpatient services:
 - (1) The total number of patients receiving services.
 - (2) The total number of Medi-Cal patients served.
 - (3) The total number of Medicare patients served.
 - (4) The total number of patients who had no financial sponsor at the time of service.
 - (5) The dollar volume of services provided to each patient category listed in paragraphs (1), (2) and (3).
- (b) Any other information which the Authority may reasonably require.

5. Notices:

Notices to the Authority required or permitted by this Agreement shall be given to the Authority addressed as follows: California Health Facilities Financing Authority, 915 Capitol Mall, Suite 590, Sacramento, California 95814, or at such other or additional address as may be specified in writing by the Authority.

6. Term of Agreement:

This agreement shall terminate when the loan is no longer outstanding under the terms of the loan agreement or similar agreement securing the loan

By: _____ Date: _____

Received and Acknowledged:

California Health Facilities Financing Authority

By: _____
Executive Director

EXHIBIT B

(HOSPITAL)
CERTIFICATE OF VERIFICATION
RE: PHYSICIAN DATA

I, (NAME OF OFFICIAL *), certify as follows:

1. I am the (TITLE OF OFFICIAL) of (HOSPITAL), a California nonprofit public benefit corporation (the "Corporation") and I am authorized to execute this Certificate on its behalf.

2. Attached hereto is the information for (HOSPITAL) containing specific physician data pursuant to Government Code Section 15459.1(b).

3. I certify the accuracy and completeness of the data as submitted to the California Health Facilities Financing Authority.

Date: _____

(OFFICIAL SIGNATURE)

(TYPED NAME & TITLE OF OFFICIAL)

(HOSPITAL)

* Chief Financial Officer, Chief Executive Officer or General Counsel

EXHIBIT C

LEGAL DISCLOSURE INFORMATION

EXHIBIT D

QUALIFYING HEALTH FACILITIES

Health facilities generally eligible for financing include all California health facilities that have received non-profit 501(c)(3) status, including the following:

- Acute Care Hospitals
- Adult day health centers
- AIDS clinics
- Alcoholism recovery facilities ⁽¹⁾
- Blood banks
- Chemical dependency facilities ⁽²⁾
- Child day care facilities ⁽³⁾
- Community clinics
- Community mental health facilities ⁽³⁾
- Community work-activity programs (accredited) ⁽⁴⁾
- Developmental disability programs
- Diagnostic or treatment centers
- Group Homes ⁽⁵⁾
- Multi-level care facilities ⁽⁶⁾
- Psychiatric facilities
- Public health centers
- Rehabilitation facilities
- Skilled nursing or intermediate facilities

-
- (1) Services must include residential care that provides a 24-hour stay.
 - (2) Must be operated in conjunction with a licensed health facility.
 - (3) State license is not required, however must be certified by the State of California, Department of Mental Health
 - (4) Includes sheltered workshops.
 - (5) Excludes foster family homes and agencies, adoption agencies, and residential care facilities for the elderly.
 - (6) Skilled Nursing Facility (SNF) or Intermediate Care Facility (ICF) care in conjunction with residential care.

Statutory Description of Eligible Health Facilities:

THE STATUTORY DESCRIPTION [CA Govt. Code, Section 15432(d)] OF HEALTH FACILITIES ELIGIBLE FOR FINANCING IS PROVIDED BELOW:

“Health facility” means any facility, place, or building that is licensed, accredited, or certified and organized, maintained, and operated for the diagnosis, care, prevention, and treatment of human illness, or physical, mental, or developmental disability, including convalescence and rehabilitation and including care during and after pregnancy, or for any one or more of these purposes, for one or more persons, and includes, but is not limited to, all of the following types:

EXHIBIT D (continued)

QUALIFYING HEALTH FACILITIES

(1) A general acute care hospital that is a health facility having a duly constituted governing body with overall administrative and professional responsibility and an organized medical staff that provides 24-hour inpatient care, including the following basic services: medical, nursing, surgical, anesthesia, laboratory, radiology, pharmacy, and dietary services.

(2) An acute psychiatric hospital that is a health facility having a duly constituted governing body with overall administrative and professional responsibility and an organized medical staff that provides 24-hour inpatient care for mentally disordered, incompetent, or other patients referred to in Division 5 (commencing with Section 5000) or Division 6 (commencing with Section 6000) of the Welfare and Institutions Code, including the following basic services: medical, nursing, rehabilitative, pharmacy, and dietary services.

(3) A skilled nursing facility that is a health facility that provides the following basic services: skilled nursing care and supportive care to patients whose primary need is for availability or skilled nursing care on an extended basis.

(4) An intermediate care facility that is a health facility that provides the following basic services: inpatient care to ambulatory or semiambulatory patients who have recurring need for skilled nursing supervision and need supportive care, but who do not require availability or continuous skilled nursing care.

(5) A special health care facility that is a health facility having a duly constituted governing body with overall administrative and professional responsibility and an organized medical or dental staff that provides inpatient or outpatient, acute or nonacute care, including, but not limited to, medical, nursing, rehabilitation, dental, or maternity.

(6) A clinic that is operated by a tax-exempt nonprofit corporation that is licensed pursuant to Section 1204 or 1204.1 of the Health and Safety Code or a clinic exempt from licensure pursuant to subdivision (b) or (c) of Section 1206 of the Health and Safety Code.

(7) An adult day health center that is a facility, as defined under subdivision (b) of Section 1570.7 of the Health and Safety Code, that provides adult day health care, as defined under subdivision (a) of Section 1570.7 of the Health and Safety Code.

(8) Any facility owned or operated by a local jurisdiction for the provision of county health services.

(9) A multilevel facility is an institutional arrangement where a residential facility for the elderly is operated as a part of, or in conjunction with, an intermediate care facility, a skilled nursing facility, or a general acute care hospital. "Elderly," for the purposes of this paragraph, means a person 62 years of age or older.

(10) A child day care facility operated in conjunction with a health facility. A child day care facility is a facility, as defined in Section 1596.750 of the Health and Safety Code. For purposes of this paragraph, "child" means a minor from birth to 18 years of age.

EXHIBIT D (continued)

QUALIFYING HEALTH FACILITIES

(11) An intermediate care facility/developmentally disabled habilitative that is a health facility, as defined under subdivision (e) of Section 1250 of the Health and Safety Code.

(12) An intermediate care facility/developmentally disabled-nursing that is a health facility, as defined under subdivision (h) of Section 1250 of the Health and Safety Code

(13) A community care facility that is a facility, as defined under subdivision (a) of Section 1502 of the Health and Safety Code, that provides care, habilitation, rehabilitation, or treatment services to developmentally disabled or mentally impaired persons.

(14) A nonprofit community care facility, as defined in subdivision (a) of Section 1502 of the Health and Safety Code, other than a facility that, as defined in that subdivision, is a residential facility for the elderly, a foster family agency, a foster family home, a full service adoption agency, or a noncustodial adoption agency.

(15) A nonprofit accredited community work-activity program, as specified in subdivision (e) of Section 19352 and Section 19355 of the Welfare and Institutions Code.

(16) A community mental health center, as defined in paragraph (3) of subdivision (b) of Section 5667 of the Welfare and Institutions Code.

(17) A nonprofit speech and hearing center, as defined in Section 1201.5 of the Health and Safety Code.

(18) A blood bank, as defined in Section 1600.2 of the Health and Safety Code, licensed pursuant to Section 1602.5 of the Health and Safety Code, and exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code.

“Health facility” includes a clinic that is described in subdivision (l) of Section 1206 of the Health and Safety Code.

“Health facility” includes the following facilities, if the facility is operated in conjunction with one or more of the facilities specified in paragraphs (1) to (18), inclusive, of this subdivision: a laboratory, laundry, or nurses or interns residence, housing for staff or employees and their families or patients or relatives of patients, a physicians' facility, an administration building, a research facility, a maintenance, storage, or utility facility, all structures or facilities related to any of the foregoing facilities or required or useful for the operation of a health facility and the necessary and usual attendant and related facilities and equipment, and parking and supportive service facilities or structures required or useful for the orderly conduct of the health facility.

“Health facility” does not include any institution, place or building used primarily for sectarian instruction or study or s a place for devotional activities or religious worship.

EXHIBIT E

FEE SCHEDULE

The following fee schedule indicates the current fees charged for new and outstanding Authority bond issues. Regarding fees charged for pool programs, please contact the Authority.

	Private Health Facility (or system) with annual gross revenues of \$2.5 million or greater	Private Health Facility with annual gross revenues of less than \$2.5 million	Public (City, County or District) Health Facility
Application Fee (Nonrefundable) (1)	\$500	\$500	\$500
Initial Fee: (Due at loan closing)	.075% of aggregate amount of issue.	\$1,000	\$1,000
Annual Administration Fee (2)	.02% of bonds outstanding	The lesser of .02% of bonds outstanding or \$500 (3)	The lesser of .02% of bonds outstanding or \$500
Resolution Extension Fee (4)	\$500	\$500	\$500

- (1) The application fee is non-refundable.
- (2) First payment assessed in the year following the year in which the bonds were issued. Annual billings are based on the amount outstanding as of January 31 of each year.
- (3) .02% of the outstanding amount will be applied once annual gross revenues exceed \$2.5 million annually.
- (4) Fee for extending an approved resolution.

EXHIBIT F

CHFFA BOND ISSUANCE GUIDELINES PER BOND RATING CATEGORY

While all projects must demonstrate financial feasibility, these guidelines describe what CHFFA would expect to see given a transaction (or borrower) with a particular rating (or no rating). The Authority would reserve the right to use its discretion as necessary and appropriate. The Authority acknowledges that each financing must be reviewed individually and exceptions to these guidelines may be considered if the applicant demonstrates that such exception is a necessary part of a cost-effective and prudent borrowing strategy. Conversely, the Authority retains the flexibility to request additional provisions as circumstances warrant. Pages F-2 – F-5 provide a written summary of these guidelines.

BOND RATING (1)	LOAN SECURITY PROVISIONS	BOND COVENANTS
I. A-/A-/A3 or Better Rated Debt (public offering)	<ul style="list-style-type: none"> Unconditional Promise to Pay Gross Revenue Pledge For systems, an obligated group structure – joint and several obligation is preferred. Will consider corporate style structures for stronger rated systems on a case-by-basis. 	<u>Reporting Covenants:</u> <ul style="list-style-type: none"> Annual submission of Certificate of Compliance with CHFFA Statute, Continuing Disclosure (if applicable), financial and other covenants Submission of required Arbitrage Reports to Authority Annual Audited Financial Statements Quarterly submission of unaudited financials, if requested <u>Financial Covenants:</u> (See Financial Covenants below)
II. BBB+/BBB+/Baa1 (public offering)	<ul style="list-style-type: none"> Unconditional Promise to Pay Gross Revenue Pledge For systems, must use an obligated group structure – joint and several obligation Debt Service Reserve Account funded to the maximum amount permitted by federal tax law for such series (currently, the least of 10% of principal amount of bonds, maximum annual debt service or 125% of average annual debt service). Must be funded at all times with internal cash, bond proceeds, or qualifying letter of credit or surety bond Minimum denominations of \$100,000 Bonds cannot be split by selling participatory shares 	<u>Legal Covenant:</u> <ul style="list-style-type: none"> Must comply with Section 15438.5 (g) of the Government Code <u>Reporting Covenants:</u> <ul style="list-style-type: none"> Annual submission of Certificate of Compliance with CHFFA Statute, Continuing Disclosure (if applicable), financial and other covenants of bond documents Submission of required Arbitrage Reports to Authority Annual Audited Financial Statements Submit quarterly unaudited financials, if requested <u>Financial Covenants:</u> <ul style="list-style-type: none"> Maintain appropriate rates and charges to maintain a minimum coverage ratio of at least 1.25 times maximum annual debt service Must submit annual reports that show that the coverage is being met, per certification of the financial officer If the coverage falls below the minimum ratio, must engage a management consultant which shall report its recommendations for corrective actions Must maintain minimum 1.25 coverage to take on additional debt
III. Less than BBB+/BBB+/Baa1 or Unrated Debt	<ul style="list-style-type: none"> Must be privately placed (in both primary and secondary markets), with appropriate disclosure, with a “Qualified Institutional Buyer” as defined by SEC Rule 144A, promulgated under the Securities Act of 1933 Minimum denomination of \$250,000 Unconditional Promise to Pay Gross Revenue Pledge Debt Service Reserve Account (must be funded at all times with internal cash, bond proceeds, letter of credit or surety bond) Bonds cannot be split by selling participatory shares 	<u>Other Covenants:</u> <ul style="list-style-type: none"> Other covenants as appropriate
BORROWER RATING (1)	LOAN SECURITY PROVISIONS	BOND COVENANTS
IV. Unrated Debt for Equipment Program (for equipment purchases generally \$5 million or less) Private placements for health facilities with current debt ratings of BBB+/BBB+/Baa1 or higher (generally reserved for smaller transactions)	<ul style="list-style-type: none"> Must be privately placed (in both primary and secondary markets), with appropriate disclosure, with a “Qualified Institutional Buyer” as defined by SEC Rule 144A, promulgated under the Securities Act of 1933 Minimum denomination of \$100,000 Bonds cannot be split by selling participatory shares 	<u>Legal Covenant:</u> <ul style="list-style-type: none"> Must comply with Section 15438.5 (g) of the Government Code <u>Reporting Covenants:</u> <ul style="list-style-type: none"> Annual submission of Certificate of Compliance with CHFFA Statute, financial and other covenants Submission of required Arbitrage Reports to Authority Annual Audited Financial Statements Submit quarterly unaudited financials, if requested

(1) Refers to rating categories used by Standard & Poor’s/Fitch/Moody’s.

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CHFFA BOND ISSUANCE GUIDELINES PER BOND RATING CATEGORY

The Authority will generally require the following security provisions and bond covenants given a transaction with a particular rating (or no rating), as specified below, and reserves the right to use its discretion as necessary and appropriate. Each proposed financing will be reviewed individually and exceptions to these guidelines may be considered if the applicant demonstrates that such an exception is a necessary part of a cost-effective and prudent borrowing strategy. At the same time, the Authority reserves the right to request additional provisions as circumstances warrant.

The ratings shown are the respective categories of Standard & Poor's, Fitch and Moody's.

I. A-/A-/A3 or Better Rated Debt (public offering or private placement)

1. Loan Security Provisions:

- a. Unconditional Promise to Pay
- b. Gross Revenue Pledge
- c. For systems, an obligated group structure – joint and several obligation is preferred. Will consider corporate style structure for stronger rated systems on a case-by-basis

2. Reporting Covenants:

- a. Annual submission of Certificate of Compliance with CHFFA Statute, Continuing Disclosure (if applicable), financial and other covenants.
- b. Submission of required Arbitrage Reports to Authority
- c. Annual Audited Financial Statements
- d. Must submit quarterly unaudited financials, if requested

3. Financial Covenants:

- a. Maintain appropriate rates and charges to maintain a minimum debt service coverage ratio of at least 1.25 times maximum annual debt service
- b. Must submit annual reports that show that the debt service coverage is being met, per certification of the financial officer
- c. If the debt service coverage falls below the minimum ratio, must engage a management consultant which shall report its recommendations for corrective actions
- d. Must maintain minimum 1.25 debt service coverage to take on additional debt

CHFFA BOND ISSUANCE GUIDELINES PER BOND RATING CATEGORY

II. BBB+/BBB+/Baa1 (public offering)

1. Loan Security Provisions:

- a. Unconditional Promise to Pay
- b. Gross Revenue Pledge
- c. For systems, must use an obligated group structure – joint and several obligation
- d. Debt Service Reserve Account funded to the maximum amount permitted by federal tax law for such series (currently, the least of 10% of principal amount of bonds, maximum annual debt service or 125% of average annual debt service). Must be funded at all times with internal cash, bond proceeds, or qualifying letter of credit or surety bond .
- e. Minimum denominations of \$100,000
- f. Bonds cannot be split by selling participatory shares:
 - (i) The offering material/disclosure document shall prominently indicate on the cover that shares of individual bonds may not be sold to other investors
 - (ii) The face of each bond shall contain a legend stating to the effect that shares of such bonds not be sold to other investors
 - (iii) The bond documents shall contain provisions that restrict the ability of shares of bonds to be sold to other investors

2. Legal Covenant: Must comply with Section 15438.5 (g) of the Government Code

3. Reporting Covenants:

- a. Annual submission of Certificate of Compliance with CHFFA Statute, Continuing Disclosure (if applicable), financial and other covenants.
- b. Submission of required Arbitrage Reports to Authority
- c. Annual Audited Financial Statements
- d. Must submit quarterly unaudited financials, if requested

4. Financial Covenants:

- a. Maintain appropriate rates and charges to maintain a minimum debt service coverage ratio of at least 1.25 times maximum annual debt service
- b. Must submit annual reports that show that the debt service coverage is being met, per certification of the financial officer
- c. If the debt service coverage falls below the minimum ratio, must engage a management consultant which shall report its recommendations for corrective actions
- d. Must maintain minimum 1.25 debt service coverage to take on additional debt

5. Other covenants as appropriate, the specific terms of which would be at the discretion of the Authority and the credit enhancer, if credit enhancement is utilized.

CHFFA BOND ISSUANCE GUIDELINES PER BOND RATING CATEGORY

III. Less than BBB+/BBB+/Baa1 Rated Debt or Unrated Debt

1. **Loan Security Provisions:**

- a. Must be privately placed (in both primary and secondary markets), with appropriate disclosure, with a “Qualified Institutional Buyer” as defined by SEC Rule 144A, promulgated under the Securities Act of 1933
- b. Minimum denomination of \$250,000
- c. Unconditional Promise to Pay
- d. Gross Revenue Pledge
- e. Debt Service Reserve Account (must be funded at all times with internal cash, bond proceeds, letter of credit or surety bond)
- f. Bonds cannot be split by selling participatory shares:
 - (i) The offering material/disclosure document shall prominently indicate on the cover that shares of individual bonds may not be sold to other investors
 - (ii) The face of each bond shall contain a legend stating to the effect that shares of such bonds not be sold to other investors
 - (iii) The bond documents shall contain provisions that restrict the ability of shares of bonds to be sold to other investors

2. **Legal Covenant:** Must comply with Section 15438.5 (g) of the Government Code

3. **Reporting Covenants:**

- a. Annual submission of Certificate of Compliance with CHFFA Statute, Continuing Disclosure (if applicable), financial and other covenants.
- b. Submission of required Arbitrage Reports to Authority
- c. Annual Audited Financial Statements
- d. Must submit quarterly unaudited financials, if requested

4. **Financial Covenants:**

- a. Maintain appropriate rates and charges to maintain a minimum debt service coverage ratio of at least 1.25 times maximum annual debt service
- b. Must submit annual reports that show that the debt service coverage is being met, per certification of the financial officer
- c. If the debt service coverage falls below the minimum ratio, must engage a management consultant which shall report its recommendations for corrective actions
- d. Must maintain minimum 1.25 debt service coverage to take on additional debt

5. **Other covenants** as appropriate, the specific terms of which would be at the discretion of the Authority and the credit enhancer, if credit enhancement is utilized.

CHFFA BOND ISSUANCE GUIDELINES PER BOND RATING CATEGORY

IV. **Unrated debt for Equipment Program (for equipment purchases generally \$5 million or less) or Private placements for health facilities with current debt ratings of BBB+/BBB+/Baa1 or higher (generally reserved for smaller transactions)**

The guidelines in sections “I” through “III” are based on the rating of the bonds to be issued. However, this is a special category where the guidelines relate to the type of transaction. The Authority will give special consideration to *small equipment private placements* and to *health facilities with current debt ratings of BBB+/BBB+/Baa1 or higher* that want to privately place their bond offerings. For these particular types of transactions, the loan security provisions and bond covenants are streamlined as outlined below.

1. **Loan Security Provisions:**

- a. Must be privately placed (in both primary and secondary markets), with appropriate disclosure, with a “Qualified Institutional Buyer” as defined by SEC Rule 144A, promulgated under the Securities Act of 1933
- b. Minimum denomination of \$100,000
- c. Bonds cannot be split by selling participatory shares:
 - (i) The offering material/disclosure document shall prominently indicate on the cover that shares of individual bonds may not be sold to other investors
 - (ii) The face of each bond shall contain a legend stating to the effect that shares of such bonds not be sold to other investors
 - (iii) The bond documents shall contain provisions that restrict the ability of shares of bonds to be sold to other investors

2. **Legal Covenant:** Must comply with Section 15438.5 (g) of the Government Code

3. **Reporting Covenants:**

- a. Annual submission of Certificate of Compliance with CHFFA Statute, Continuing Disclosure (if applicable), financial and other covenants.
- b. Submission of required Arbitrage Reports to Authority
- c. Annual Audited Financial Statements
- d. Must submit quarterly unaudited financials, if requested